

STATE PLANNING OFFICE NEWSLETTER

Current News and Updates for Municipal Officials

Maine State Planning Office 38 State House Station Augusta ME 04333 Web: www.maine.gov/spo Tel: 207-287-6077

Early progress towards reducing tax burden

LD 1 slows government spending

Analysis of state, municipal, school, and county data conducted by the Margaret Chase Smith Policy Center and Maine Revenue Services shows that LD 1 slowed government spending and reduced property taxes. LD 1, enacted in 2005, increased state aid to education, established spending caps for governments at all levels, and provided direct property tax relief to Maine residents.

It's early yet to see the full effects of LD 1. It's been law for only a year. Municipalities and counties operate under differing fiscal year cycles, so LD 1 did not apply to all of them in 2005. However, LD 1 requires the State Planning Office to report each year on the new law's impact in reducing tax burden. The State Planning Office's first year report, based on the work of two independent

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Economists, shows diligent efforts by many government officials and communities to live within the LD 1 tax and spending limits. As a result, Maine people are experiencing property tax relief. Here's what we found:

- Last year, Maine Revenue Services estimated that 2005 property taxes would grow by 5%, as they have in recent years. Instead, 2005 property taxes in 467 municipalities grew by only 1.7%. That's about half the rate of inflation.
- The Smith Center looked at a sample of municipi-

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Land for Maine's Future: A Sound Public Investment

Maine's exquisite web of coastal waters, vast forests, productive farmland, mountains, lakes, and wildlife habitat is irreplaceable. These resources are essential natural, cultural, and economic assets.

A 2004 report by the Muskie School for Public Service and the Margaret Chase Smith Center for Public Policy reported an historic shift in how land in Maine is used, owned, and valued. "Over the last five years alone, more than a quarter of all land in Maine has changed ownership, with much

of that land broken into smaller pieces with multiple owners. These dramatic changes may slow, but there is broad recognition they cannot be stopped or reversed. This recognition is pushing Maine people to re-examine their collective expectations for access, ownership, and development of the state's unique land resources," it said.

Their assessment was borne out when, last fall, Maine voters approved a \$12 million bond to replenish the Land for Maine's Future Program.

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Director's Column

By Martha Freeman



Now that we've presented our report on the first year impact of LD 1, we're fielding questions from individuals about the new law's impact on them. Some people are asking "Why didn't my own property tax bill go down?"

Here are some questions I find useful in helping folks understand their own property tax situation. Perhaps these might help you assist your municipal citizens with their questions:

- **How did your community's school administrative unit use its share of the additional \$99 million in state aid for school year 2006?** Not every school unit replaced property tax dollars with state dollars. LD 1 left this decision to school legislative bodies. You can view your school's spending choices online at <http://www.maine.gov/spo/economics/ld1/index.php>. For 2007, the State will contribute another \$79 million to education, providing more opportunity for property tax relief.
- **Did your property tax bill grow by less than 5%?** Five percent is the average increase in recent years. For 2005, average property taxes grew by only 1.7%, just half the rate of inflation. Mainers who saw cuts or low growth in property taxes took less money out of their pockets this year than they would have without LD 1.

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"The early impact of LD 1 in reducing government spending is positive. Increased state subsidies for local education are contributing to the reduction in municipal government spending."

— Professor Todd Gabe, Margaret Chase Smith Policy Center

Growth Management Evaluation Findings

The State Planning Office has completed six months of research to understand the issues related to the state review of comprehensive plans, the local implementation of growth management laws, and what is needed to improve land use planning in Maine.

Based on this research, 13 key findings emerged:

1. Maine people highly value less developed, rural landscapes
2. There is clear support for land use planning at the community level
3. Comprehensive planning has had little effect on growth patterns
4. Our current comprehensive planning program is focused on writing plans
5. Implementation of comprehensive plans is weak
6. There is a strong desire for improved tools and assistance for local planning
7. There is strong, statewide support for regional land use planning
8. There is need for the State to establish state and regional priorities
9. There is a call for a regional planning approach to large capital projects with regional impacts
10. State oversight is an important tool in managing growth
11. While most agree that affordable housing is a problem, there was no consensus on what to do about it
12. In some areas, local planning and appeals boards are overwhelmed
13. Property taxes are a driver in land use development

The State Planning Office is using these findings to develop recommendations to be presented to the Legislature's Natural Resources Committee on March 1, 2006. Research reports, key findings, and preliminary areas for recommendations are at: <http://www.maine.gov/spo/landuse/whatsnew/review.php>

Reports and Studies of Interest

State and Local Government Finances in Maine: Early Impacts of LD 1, Report to the State Planning Office by Todd Gabe, Margaret Chase Smith Policy Center, University of Maine, January 2006

<http://www.maine.gov/spo/economics/ld1/index.php>

LD 1: First-year Impact on Tax Burden, Report to the Joint Standing Committee on Taxation by Maine Revenue Services, January 31, 2006

<http://www.maine.gov/spo/economics/ld1/revenue/service.php>

A Process for the Collection of Municipal and County Data for the US Census Bureau, Report to the State and Local Government Committee by State Planning Office, January 2006

<http://www.maine.gov/spo/economics/economics/pubsreports.php>

Fund for the Efficient Delivery of Local and Regional Services, 2005 Annual Report, Report to the Joint Standing Committee on State and Local Government by the Department of Administrative and Financial Services, October 1, 2005

<http://www.maine.gov/spo/sp/regional/articles.php>

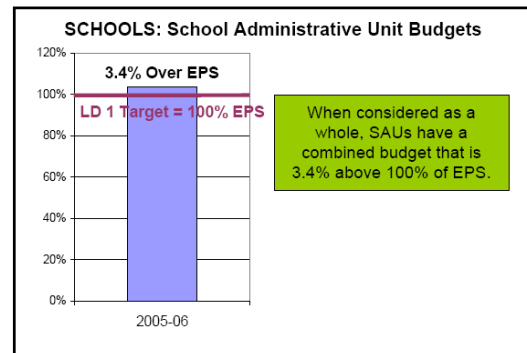
Solid Waste Policy Review Task Force: 34 task force members met three times this fall and winter to discuss the state's solid waste management policies and to help the State Planning Office better understand the impacts that existing policies have on their interests and whether changes to those policies are needed. One final task force meeting will be scheduled for later this winter to solicit members' perspectives on a draft report. SPO will then present its findings and recommendations to the Legislature. For more information:

<http://www.maine.gov/spo/recycle/policy/>

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palities fully impacted by LD 1. Their collective property tax growth last year was only 1.2%.

- In 2005 Maine resident homeowners saved an estimated \$65 million in property taxes, and Maine businesses saved an additional \$10 million, under LD 1.
- Maine homeowners at all income levels saved money. Low-income homeowners experienced the greatest percentage in property tax burden reduction.



Source: Todd Gabe, "State and Local Government Finances in Maine: Early Impacts of LD 1," 2006

The largest percentage of Maine property taxes are paid to support education. Last year the State increased its share of school aid by \$99 million. Collectively, school units exceeded their LD 1 spending limit by only 3.4%. Some schools hit the target, some were under or over by a little or a lot. The SPO Web site (www.maine.gov/spo) links to the spending data and LD 1 limit analysis for every school administrative unit in Maine.

Interestingly, the LD 1 report shows this: As a whole, 139 single-municipality school administrative units received \$35.5 million in state education aid, and they lowered projected spending by \$34 million. In these communities, increased state education spending clearly replaced property tax dollars.

That's the kind of key information the State Planning Office will continue to examine as Maine works with LD 1 in the years to come.

COMPREHENSIVE PLANNING GRANTS

Applications will soon be accepted for three competitive land use planning grant programs: 1) comprehensive planning grants for communities preparing their first comprehensive plan; 2) implementation grants to prepare zoning ordinances and other strategies to implement adopted, consistent comprehensive plans; and 3) update grants to revise comprehensive plans and local land use policies and strategies to reflect demographic and economic changes, and to integrate smart growth principles that more effectively guide growth.

Approximately \$150,000 of grant funds will be available. Individual grant awards range between \$10,000 and \$26,000, based on a formula factoring in the size of the municipality (contact your regional council to find out the grant amount for which your municipality is eligible). A local match is required. Contact Phil Carey at 287-3860 or phil.carey@maine.gov for more information.

EFFORTS TO RESTORE REGIONAL EFFICIENCY GRANTS

Two bills are being considered that would restore funding for grants to municipalities, counties, and regional government subdivisions to plan or implement collaborative efforts for delivering local services. LD 1712, sponsored by Representative Chris Barstow (D-Gorham), is championed by the Intergovernmental Advisory Committee. It would restore the full \$2.4 million funding for FY 07. The bill was reported out of committee *ought to pass*. LD 1968, the Governor's supplemental budget bill, includes \$1 million for the grant fund. Public hearings on the budget are being held at the time of this writing. To track these bills:

<http://janus.state.me.us/legis/LawMakerWeb/search.asp>

NEW COMPREHENSIVE PLANNING MANUAL

Citizens who have prepared comprehensive land use plans often describe it as both exhilarating and frustrating. The exhilaration comes from shaping the future of their community. The frustration comes from the conflicts that are part of the natural democratic process. We hope that our new comprehensive planning manual will help minimize frustration, assist communities with designing an effective planning process, and guide planning committees with the essential elements of a plan. The new manual addresses everything from characteristics of a good planning committee, to whether or not to hire a consultant, to approaches for multi-town planning. The manual is available on-line at: www.state.me.us/spo/landuse/pubs/



Phil Carey, a land use planner, joined SPO this fall. He was a planner in Brunswick for 15 years where he still lives.

FILL OUT YOUR SOLID WASTE REPORTS ON-LINE

Got waste? Got a computer? Whether you are submitting for your town or region, you can save time and reduce paper by using SPO's on-line reporting format. The reports help determine the statewide recycling rate. They also can be used by local officials to understand their program's successes or where opportunities for improvements lay. Reports are due March 31, 2006. For more information:

<http://www.maine.gov/spo/recycle/>

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The program is designed to conserve Maine's natural heritage such as thick spruce-fir forests, trout ponds, coastal bluffs, mountain summits that offer panoramic views, bald eagle nesting sites, and centuries-old orchards.

It helps provide public access to coastal and inland waters, support outdoor recreation, preserve working farmlands, and maintain sustainable, working forestlands, all keys to Maine's rural



A conservation easement preserves 284 acres of orchards, hayfields, pastures and woodlands on the Hanson Farm in Sanford. The Town of Sanford donated an easement on the town farm to help match LMF funds.

economy. The Muskie/Smith report notes that land conservation, like our rail and highway systems, is basic infrastructure upon which coming generations of Maine people will build their economy and culture.

Recently the Land for Maine's Future Board issued a call for new land conservation proposals. Applications were solicited between November 2005 and February 3, 2006. The Board will select project finalists in May, 2006.

Working with other state agencies, local land trusts, municipalities, and other charitable, nonprofit groups, the Land for Maine's Future Board identifies the strongest of the proposals for funding. It examines many factors including the potential benefits to the local and regional economy. There are statutory safeguards in place to mitigate undue impact on local property tax revenues. Whenever the value of a conserved property exceeds a certain threshold, local approval is required. In addition, conservation lands that are already registered in current use

Working Waterfront Pilot

In 2005, for the first time, voters approved funds to try to stem the tide of loss of commercial fishing access to coastal waters. \$2 million of the Land for Maine's Future bond will provide grants to fishermen and fishing cooperatives to help them retain piers, wharves, and other working waterfront properties, with the goal of keeping them in private ownership. It is intended that the funds bridge the gap between what fishermen can finance and what the market demands for this prime real estate. The Land for Maine's Future Program and the Maine Department of Marine Resources are developing materials and information to launch the pilot in the fall.

taxation programs have no further impact on local tax revenue. Research in Maine and other states shows that properly-designed land conservation can mitigate the negative impacts of unplanned development on local budgets and can also enhance local economic activity.



The Royal River project in Yarmouth provides much needed recreation opportunities and spectacular views. It is also home to bald eagles, ospreys, and waterfowl.

Since its inception in 1987, the Land for Maine's Future Program has protected more than 240,000 acres of Maine's greatest natural areas. The more than 115 land conservation projects are catalogued on-line including maps, pictures, public access information, and a description of each property's unique attributes. Visit the project directory at: <http://www.maine.gov/spo/lmf/projects/index.php>.

State Planning Office
38 State House Station
Augusta ME 04333

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State Planning Office

38 State House Station
Augusta ME 04333

<http://www.maine.gov/spo>

Phone:

207.287.6077

E-Mail:

linda.c.laplante@maine.gov



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- **Is your property tax bill more than 4% of your income?** If so, you may qualify for a refund. Maine homeowners, renters, and seniors may be eligible for property tax rebates up to \$2000. Apply through your town office or Maine Revenue Services (626-8475 or www.maine.gov/revenue) for a Tax and Rent Refund.

Passing and implementing LD 1 required hard work by many: legislators from all sides, state and local officials living within spending caps, and Maine citizens participating and asking questions. Thanks to all who've given it their best effort. Next year the State Planning Office will report again on how our collective efforts pay off for property tax relief.

*Would you like to receive this newsletter electronically?
Send your e-mail address to: linda.c.laplante@maine.gov*
